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CHAIRMAN NICKLES REVEALS NEW GAO STUDY ON DISTRIBUTION OF STATE FISCAL RELIEF FUNDS

WASHINGTON—Today Budget Chairman Don Nickles (R-OK) released a study conducted by the General Accounting Office (GAO) examining the distribution of \$10 billion in fiscal relief funds allocated to states in the Jobs and Growth Act of 2003. GAO's study focused on states' use of these funds and their effectiveness in providing fiscal relief to states.

The GAO first confirmed that it was impossible to identify the states' uses of these unrestricted funds. Additionally, the report revealed Congress' lack of both proper timing and targeting in the distribution of these funds. For example, the allocation of fiscal relief funds was not related to the states' need for antirecession aid.

GAO's report also warned that continuing the allocation of these funds carries the risk of creating "moral hazard" by reducing states' incentives to set aside their own rainy-day reserves in anticipation of further federal aid.

Said Budget Chairman Don Nickles (R-OK), "The general fund transfers to the states were not effective in growing our economy. The tax cuts we passed did work to stimulate growth throughout the country as is evidenced by the growth of the stock markets and now over a million new jobs created in the last few months. GAO's report represents a call to Congress to be more responsible when it comes to taxpayer dollars."